

INTRODUCTION: Exchange Stabilization Fund

To stabilize the exchange value of the dollar, the Exchange Stabilization Fund (ESF) was established under the Gold Reserve Act of January 30, 1934 (31 U.S.C. 822a), which authorized establishment of a Treasury Department fund to be operated under the exclusive control of the Secretary, with approval of the President.

Subsequent amendment of the Gold Reserve Act modified the original purpose somewhat to reflect termination of the fixed exchange rate system.

Resources of the fund include dollar balances, partially invested in U.S. Government securities, *Special drawing rights* (SDRs), and balances of foreign currencies. Principal sources of income (losses) for the fund are profits (losses) on SDRs and foreign exchange, as well as interest earned on assets.

- Table **ESF-1** presents the assets, liabilities, and *capital*

of the fund. The figures are in U.S. dollars or their equivalents based on current exchange rates computed according to the accrual method of accounting. The capital account represents the original capital appropriated to the fund by Congress of \$2 billion, minus a subsequent transfer of \$1.8 billion to pay for the initial U.S. quota subscription to the *IMF*. Gains and losses are reflected in the cumulative net income (loss) account.

- Table **ESF-2** shows the results of operations by quarter. Figures are in U.S. dollars or their equivalents computed according to the accrual method. "Profit (loss) on foreign exchange" includes realized profits or losses on currencies held. "Adjustment for change in valuation of *SDR holdings and allocations*" reflects net gain or loss on revaluation of SDR holdings and allocations for the quarter.

TABLE ESF-1.--Balances as of Mar. 31, 1995, and June 30, 1995

[In thousands of dollars. Source: Office of the Secretary of the Treasury]

Assets, liabilities, and capital	June 30, 1995	June 30, 1995, through Sept. 30, 1995	Sept. 30, 1995
Assets			
U.S. dollars:			
Held at Federal Reserve Bank of New York . .	1,124,701	858,227	1,982,928
Held with Treasury:			
U.S. Government securities	410,935	5,636	416,571
Special drawing rights ¹	11,868,577	-833,353	11,035,224
Foreign exchange and securities: ²			
German marks	7,153,215	-358,080	6,795,135
Japanese yen	12,843,895	-2,334,576	10,509,319
Mexican pesos	9,000,000	2,500,000	11,500,000
Accounts receivable	171,589	225,131	396,720
Total assets	42,572,912	62,985	42,635,897
Liabilities and capital			
Current liabilities:			
Accounts payable	59,889	-5,548	54,341
Total current liabilities	59,889	-5,548	54,341
Other liabilities:			
Special drawing rights certificates	8,018,000	2,150,000	10,168,000
Special drawing rights allocations	7,686,176	-305,921	7,380,255
Total other liabilities	15,704,176	1,844,079	17,548,255
Capital:			
Capital account	200,000	-	200,000
Net income (loss) (see table ESF-2)	26,608,847	-1,775,546	24,833,301
Total capital	26,808,847	-1,775,546	25,033,301
Total liabilities and capital	42,572,912	62,985	42,635,897

See footnotes on the following page.

TABLE ESF-2.--Income and Expense*[In thousands of dollars. Source: Office of the Secretary of the Treasury]*

	Current quarter July 1, 1995, through Sept. 30, 1995	Fiscal year to date Oct. 1, 1994, through Sept. 30, 1995
Income and expense		
Profit (loss) on:		
Foreign exchange	-2,053,714	808,236
Adjustment for change in valuation of SDR holdings and allocations ¹	-167,731	91,220
Interest (net charges) on:		
Special drawing rights	42,528	167,426
U.S. Government securities	30,283	264,693
Foreign exchange	373,088	1,041,719
Commissions	-	17
Income from operations	-1,775,546	2,373,311
Net income (loss)	-1,775,546	2,373,311

¹ Beginning July 1974, the International Monetary Fund (IMF) adopted a technique for valuing the special drawing rights (SDRs) based on a weighted average of exchange rates for the currencies of selected member countries. The U.S. SDR holdings and allocations are valued on this basis beginning July 1974.

² Excludes foreign exchange transactions for future and spot delivery.

Note.--Annual balance sheets for fiscal years 1934 through 1940 appeared in the 1940 "Annual Report of the Secretary of the Treasury" and those for succeeding years appeared in subsequent reports through 1980. Quarterly balance sheets beginning with Dec. 31, 1938, have been published in the "Treasury Bulletin." Data from inception to Sept. 30, 1978, may be found on the statements published in the January 1979 "Treasury Bulletin."